

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Central Illinois Public Service Company	:	
(AmerenCIPS) and Union Electric	:	
Company (AmerenUE)	:	02-0798
	:	
Application for entry of protective order to	:	
protect confidentiality of materials	:	
submitted in support of revised gas	:	
service tariffs.	:	
	:	
Central Illinois Public Service Company	:	
	:	03-0008
Proposed general increase in natural gas	:	
rates.	:	
	:	
Union Electric Company	:	
	:	03-0009
Proposed general increase in natural gas	:	(Consolidated)
rates.	:	On Rehearing

**BRIEF ON EXCEPTIONS ON REHEARING OF THE
STAFF OF THE ILLINOIS COMMERCE COMMISSION**

Pursuant to 83 Ill. Adm. Code 200.830, Staff of the Illinois Commerce Commission (“Staff” and “Commission”), by and through its attorney, hereby files its Brief on Exceptions on Rehearing to the Proposed Order on Rehearing filed by the Administrative Law Judges on April 1, 2004 (“Proposed Order on Rehearing”).

I. TECHNICAL CORRECTION

The Proposed Order on Rehearing references the Order entered in consolidated Dockets 02-0798, 03-0008, and 03-0009 as being dated October 23, 2003. However, the date of that Order is October 22, 2003. Therefore, the date referenced on page 1,

Finding Paragraph (8), the first Ordering Paragraph, and the third Ordering Paragraph should be corrected to show that the Order is dated October 22, 2003.

II. CLARIFYING LANGUAGE REGARDING STAFF'S ADJUSTMENT FOR RETIREMENTS

Staff proposes the following replacement language to clarify its adjustment for retirements as discussed in the middle of page 4 of the Proposed Order on Rehearing:

Second, net plant is overstated to the extent that, while the retirements have been recorded on the books, but do not reduce rate base only the impact on accumulated depreciation is reflected in the Company's proposed rate base. The Company has ignored the corresponding decrease to plant in service.

III. CLARIFYING LANGUAGE REGARDING STAFF'S POSITION ON ACCUMULATED DEPRECIATION

Staff does not take issue with AmerenUE ("UE") and the Attorney General using the actual balance for accumulated depreciation on November 30, 2003, as a basis for the pro forma adjustment to utility plant in service for post-test year plant additions. Staff does take issue with the fact that both parties use the actual balance for accumulated depreciation on November 30, 2003, as their basis for an adjustment to accumulated depreciation for inclusion in rate base.

Staff proposes the following replacement language to the discussion regarding accumulated depreciation on pages 4 - 5 of the Proposed Order on Rehearing:

According to Staff, the Commission's conclusion regarding the amount of post-test year capital additions does not direct an adjustment to Accumulated Depreciation, such as those included in the instant methods urged by both UE and the AG. In addition, Section 285.150(e) does not include any language to indicate that items can be restated to actual balances occurring after the expiration of the eleven-month process to enter an order for the determination of the revenue requirement. ~~Staff also seems to take issue with the~~

~~adjustments being based on the actual balance of accumulated depreciation on November 30, 2003, as applied by UE and the AG.~~

IV. CLARIFYING LANGUAGE REGARDING ACCOUNTS 324, 328, AND 329

The Proposed Order on Rehearing mischaracterizes the amounts charged to Accounts 324, 328, and 329 as being reallocated to Account 380. The amounts were not reallocated; however, these accounts were inappropriately included by UE in the total charges for project numbers 11975, 11976, and 11977, the three major capital projects for which pro forma adjustments were made, in the initial phase of the proceeding.

Staff proposes the following replacement language to the discussion of Accounts 324, 328, and 329 in the third paragraph on page 6 of the Proposed Order on Rehearing:

Because it is unclear why UE used these three accounts, the Commission questions the nature of the costs contained therein (particularly with regard to Account 324). As such, the Commission finds that UE has not sufficiently justified the reallocation of these costs charged to Accounts 324, 328, and 329 in these accounts to Account 380, and therefore will not permit their inclusion in the value of the post-test year plant additions.

Staff also proposes the following replacement language to remove references to Accounts 324, 328, and 329 from the discussion regarding the reallocation of costs from expense accounts to Account 380 in the middle of page 7 of the Proposed Order on Rehearing:

In light of the Commission's findings regarding Accounts ~~324, 328, 329~~, 878, 892, and 893, UE's reallocation of costs from Account 887 also can not be adopted. Mr. Weiss explains that Account 887 contains indirect operating expenses that "follow" the costs in Accounts ~~324, 328, 329~~,

878, 892, and 893. If these accounts are not reallocated to Account 380, then neither should any costs that typically "follow" these accounts.

Finally, since Staff's adjustments for pro forma post-test year capital additions involved more than just an account distribution, the following language is proposed for the final paragraph in the Commission Conclusion section of the Proposed Order on Rehearing:

Accordingly, the ~~account—distribution~~ adjustments recommended by Staff should be adopted for purposes of determining major post-test year plant additions for this rehearing. In light of the foregoing, the Commission concurs with Staff that UE's post-test year capital additions exceed accumulated depreciation by \$722,000.

V. CONCLUSION

For the reasons set forth above, Staff respectfully requests that the Commission modify the April 1, 2004 Proposed Order on Rehearing in accordance with the exceptions set forth herein and enter the modified Proposed Order on Rehearing as the Commission's Final Order in this proceeding.

Respectfully submitted,



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